



## EZ Guide to Tier I and Tier II Retirement Under Public Act 96-0889

Tier I – Members Who First Contributed Prior to Jan. 1, 2011	Tier II – Members Who First Contribute on or after Jan. 1, 2011
<b>Who does this new law affect?</b>	
The new law does not affect teachers and administrators who <i>first contributed</i> to TRS prior to Jan. 1, 2011, or teachers and administrators who had any previous service credit with TRS or a reciprocal pension system prior to 2011, even if they left TRS or a reciprocal pension system at any time and then returned to a TRS-covered position.	The new law affects teachers and administrators <i>who first contribute</i> to TRS on or after Jan. 1, 2011 and without any previous service credit with a pension system that has reciprocal rights with TRS.
<b>What are the changes in retirement eligibility?</b>	
<p>Retirement eligibility for Tier I teachers and administrators is set according to a sliding scale:</p> <ul style="list-style-type: none"> <li>Members can retire at age 55 with full benefits if they have 35 years of service credit accumulated if the member has elected to have his/her pension determined by the 2.2% formula and paid the required fee.</li> <li>Members also can retire at age 55 with at least 20 years of service credit and receive a benefit that is reduced by 6 percent for every year the member is under age 60.</li> <li>Members can retire at age 60 with 10 years of service and receive benefits that the member has earned. For example, 10 years of service multiplied by 2.2% equals 22% of the final average salary.</li> <li>Members can retire at age 62 with five years of service and receive full earned benefits.</li> </ul>	<p>The new law requires Tier II teachers and administrators to be 67 years old and have accumulated 10 years of service credits in order to qualify for full benefits that a member has earned. Tier II members may retire at age 62 with 10 years of service, but will receive retirement benefits reduced 6 percent for every year the member is under age 67.</p> <p>Ten years of service is equal to 22% of the member's average salary before any age reductions.</p>
<b>What are the changes in the benefit formula?</b>	
<p>Retirement benefits are capped once: The maximum benefit a member can receive is 75 percent of his or her final average salary. The benefit for most members is based on a formula: 2.2% multiplied by the member's final average salary multiplied by years of creditable service. A small percentage of TRS members employed before July 1, 1998 have their benefits determined by an older, graduated formula.</p> <p>The final average salary is the member's highest average salary earned during four consecutive years out of the last 10 years of service.</p>	<p>Retirement benefits will be capped in two ways. <i>One:</i> The maximum benefit a member can receive is 75 percent of his or her final average salary. <i>Two:</i> Under the new law, in determining a final average salary, no member's salary will exceed a limit that increases more slowly than the Consumer Price Index. The current limit is \$109,971.43. Benefits will still be determined by the formula of 2.2% multiplied by final average salary multiplied by years of creditable service. Benefits for Tier II will be based on the member's highest average salary earned during eight consecutive years out of the last 10 years of service.</p>
<b>What are the changes to the annual cost-of-living adjustment?</b>	
The annual cost-of-living increase is 3 percent, compounded annually.	Annual cost-of-living increases for members will be calculated using either 3 percent or one-half of the Consumer Price Index, whichever is less. The increase will not be compounded.
<b>What are the changes to survivor benefits?</b>	
Survivor benefits for Tier I members' dependent beneficiaries are no less than 50 percent of the retired member's benefit.	Survivor benefits for Tier II members' dependent beneficiaries will be 66.66 percent of the retired member's benefit.
<b>What are the new rules on post-retirement employment?</b>	
Currently, retired members may be employed in another position covered by TRS and retain their benefits, but their service is limited to 120 days or 600 hours per year. On July 1, 2011, this cap for Tier I members will be reduced to 100 days or 500 hours per year. Members can be employed in a position covered by a pension system that has reciprocal rights with TRS, but the annual length of employment allowed may be capped by that pension system.	The law suspends a Tier II member's retirement benefits if the member accepts full-time employment in a position covered by another pension system that has reciprocal rights with TRS.